

China Investing Through Irish Holding Companies

Ireland is one of the most attractive holding company locations for investments into China due to the favorable Ireland/China tax treaty and Ireland's low corporation tax environment.

The main advantages of using an Irish holding company are as follows:

1. Chinese dividends may be paid with the lowest level of Chinese withholding tax and, usually, no further Irish tax. The rate of Chinese withholding tax is only 5% once the Irish company has a 25% shareholding in the Chinese subsidiary. This is the lowest rate of Chinese withholding tax (compared to the standard 10% rate).

The Irish holding company is only subject to 12.5% Irish corporation tax on Chinese dividends of trading (active) profits and Chinese tax (both withholding tax and underlying tax) may generally be credited against this liability. **Usually, this is sufficient to ensure that no Irish tax is actually payable on Chinese dividends.**

2. Profits arising on any disposal of a Chinese subsidiary can be exempt from both Chinese and Irish tax.

No Chinese capital gains tax applies on the sale of Chinese shares by Irish holding companies, other than where the shares derive their value from Chinese land. Importantly, there is no minimum shareholding requirement in order to claim this benefit (in contrast to many other holding company jurisdictions).

No Irish capital gains tax applies on the sale of Chinese shares by Irish holding companies where broadly, a 5% shareholding is maintained for a minimum 12 month period and the group, as a whole, carries on a trade.

The FTS also proposes to introduce the concept of an "ultimate beneficiary" into the Code. An ultimate beneficiary would be defined as:

An individual or a legal entity that is a direct (or an indirect (through a participation in other companies or otherwise)) recipient of income of an entity and has the right to own, use and dispose of such income (i.e. an actual right to determine the economic destiny of such income); or

A person in whose interests another person is authorized to use and (or) dispose of such income.

Read more <http://globalserve.com.cy/wp-content/uploads/2010/04/China-%E2%80%93-Investing-Through-Irish-Holding-Companies.pdf>

Global action on tax evasion has largely failed, study shows

The most concerted global push ever undertaken against international tax evasion has failed to reverse the flow of funds to offshore financial centres, according to banking industry data

Despite unprecedented action from political leaders, and a blizzard of bilateral co-operation treaties entered into by offshore centres, deposit data from the Bank of International Settlements (BIS) shows bank accounts in tax havens still held \$2.7tn (£1.7tn) last year - about the same amount as in 2007.

Niels Johannesen and Gabriel Zucman, academics who were granted access to a rarely seen breakdown of BIS data, concluded: "So far, the G20 tax haven crackdown has ... largely failed ... Treaties have led to a modest relocation of bank deposits between tax havens but have not triggered significant flows of funds out of tax havens."

Russia to target treaty shopping and payments to blacklisted jurisdictions

Tax authorities to encourage disclosure of the income by Russian beneficial owners

In line with the government's 2012-2014 tax policies designed to counteract abusive tax planning and encourage offshore companies to move to Russia, the Federal Tax Service (FTS) submitted to parliament on 30 March 2012 proposed changes to the Russian Tax Code (Code) that would limit treaty shopping and allow the tax authorities to challenge the tax treatment of certain payments made to blacklisted offshore jurisdictions.

Russia's blacklist, introduced in 2007, currently applies to disqualify dividends received from a subsidiary located in a blacklisted jurisdiction from the benefits of the participation exemption. Transactions with blacklisted countries also are subject to transfer pricing control. The blacklist contains countries that grant preferential tax treatment or that do not require the disclosure and submission of information on financial operations.

The FTS now proposes to make payments made by Russian residents to residents of blacklisted jurisdictions for works, services, shares and property rights nondeductible for tax purposes subject to a 20% withholding tax where there is no tax treaty between Russia and the country of residence of the recipient or, where there is a treaty, its provisions allow such a withholding tax to be imposed.

Read more <http://globalserve.com.cy/wp-content/uploads/2010/04/Russia-to-target-treaty-shopping-and-payments-to-blacklisted-jurisdictions.pdf>

News

Globalserve Consultants Ltd with Hellenic Bank as the main sponsor, organized a taxation conference which took place on the 25th of April, hours: 9:00am to 16:00pm at Amathus Beach Hotel, 5*, Limassol, Cyprus.

The aim of the conference had been to invite professionals who are interested in the field of international tax planning and to analyze various case studies of the Cyprus Tax System, consider legal issues of Cyprus Companies and Cyprus International Trust, Discuss Cyprus funds and financial investment firms and to provide a unique opportunity for networking and sharing the knowledge and practical experience of accredited professionals.

Tax professionals from Italy, Switzerland and Luxembourg attended. The delegates shared their knowledge and expertise along with that of the presenters and the conference was found to be successful!

29-30 May STEP ISRAEL, TEL AVIV Annual Conference participant Phani Schiza Antoniou, Managing Director, Globalserve Consultants Ltd

Globalserve Profile

Globalserve Consultants Ltd, is engaged in the area of international tax planning. We incorporate companies from a variety of 23 jurisdictions while focusing on the Cyprus Company which its use is very effective as an onshore jurisdictions with an excellent use towards international tax planning.

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